

## VILLAGE OF MER ROUGE, LOUISIANA

## FINANCIAL REPORT

December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/26/10**HILL, INZINA & COMPANY**

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# HILL, INZINA & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable John D. McAdams, III, Mayor,  
and Members of the Board of Aldermen  
Village of Mer Rouge, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Village did not implement Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended December 31, 2009. Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued. The amounts by which this departure would affect the liabilities and net assets of the governmental activities, the business-type activities, and the Water and Sewer Fund are not reasonably determinable.

In our opinion, except for the effect of not accruing postemployment benefits for retired employees for the governmental activities, the business-type activities, and the Water and Sewer Fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the Water and Sewer Fund of the Village as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Village as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. Management's discussion and analysis and the budgetary comparison schedule, presented as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the required supplementary information and express no opinion on it. The other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*/s/Hill, Inzina & Co.*

March 25, 2010

**REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)**

## VILLAGE OF MER ROUGE, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended December 31, 2009

As management of Village of Mer Rouge, Louisiana (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended December 31, 2009. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the Village's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Village's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the Village based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

#### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's basic financial statements consist of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to financial statements.

In addition to the basic financial statements, the Village also includes in a subsequent section of this report additional information to supplement the basic financial statements.

#### 1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or weakening. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the Village's net assets changed during the most recent year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the citizenry of the Village.

The government-wide financial statements report governmental activities of the Village that are principally supported by tax revenues. Governmental activities include general administrative, sanitation, public safety (police), and public works (streets) services.

#### 1. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village as a whole with major funds being separately reported.

The Village has two types of funds:

1. Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.
2. The proprietary fund is reported in the fund financial statements and generally reports services for which the Village charges customers a fee. The fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Village. Proprietary fund financial statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.



As the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. A reconciliation from both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances to the government-wide statements is provided to assist in understanding the differences between these two perspectives.

### 3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

#### Government-Wide Financial Analysis

The Village's combined net assets as well as the separate net assets of governmental and business-type activities were virtually unchanged between the two years ended December 31, 2009 and 2008 except for the capital asset project completed during the current year.

The following provides a summary of the net assets (in thousands of dollars) of the Village as of December 31:

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 769	\$ 856	\$ 325	\$ 363	\$ 1,094	\$ 1,219
Capital assets	<u>629</u>	<u>373</u>	<u>1,673</u>	<u>1,733</u>	<u>2,302</u>	<u>2,106</u>
Total assets	<u>\$ 1,398</u>	<u>\$ 1,229</u>	<u>\$ 1,998</u>	<u>\$ 2,096</u>	<u>\$ 3,396</u>	<u>\$ 3,325</u>
Other liabilities	<u>\$ 54</u>	<u>\$ 50</u>	<u>\$ 20</u>	<u>\$ 17</u>	<u>\$ 74</u>	<u>\$ 67</u>
Net assets:						
Invested in capital assets	\$ 629	\$ 374	\$ 1,673	\$ 1,734	\$ 2,302	\$ 2,108
Unrestricted	<u>715</u>	<u>805</u>	<u>305</u>	<u>345</u>	<u>1,020</u>	<u>1,150</u>
Total net assets	<u>\$ 1,344</u>	<u>\$ 1,179</u>	<u>\$ 1,978</u>	<u>\$ 2,079</u>	<u>\$ 3,322</u>	<u>\$ 3,258</u>

As noted earlier, net assets may serve over time as a useful indicator of the Village's financial position. The Village will use the unrestricted net assets to meet the ongoing obligations to users of its services and creditors.

Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued. The Village did not accrue such benefits for the year ended December 31, 2009 for the governmental activities, the business-type activities, and the Water and Sewer Fund.

The following summarizes the Village's net asset changes (in thousands of dollars) between the two years ended December 31, 2009 and 2008:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 104	\$ 84	\$ 179	\$ 180	\$ 283	\$ 264
Operating grants and contributions	17	17	-	-	17	17
Capital grants and contributions	146	285	-	25	146	310
General revenues:						
Taxes	317	299	-	-	317	299
Intergovernmental	32	1	-	-	32	1
Unrestricted investment earnings	14	29	4	12	18	41
Miscellaneous	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>3</u>
Total revenues	<u>\$ 631</u>	<u>\$ 716</u>	<u>\$ 183</u>	<u>\$ 219</u>	<u>\$ 814</u>	<u>\$ 935</u>
Expenses:						
General government	\$ 205	\$ 183	\$ -	\$ -	\$ 205	\$ 183
Sanitation	50	41	-	-	50	41
Public safety	165	163	-	-	165	163
Public works	11	16	-	-	11	16
Depreciation	36	32	-	-	36	32
Operating	<u>-</u>	<u>-</u>	<u>285</u>	<u>277</u>	<u>285</u>	<u>277</u>
Total expenses	<u>\$ 467</u>	<u>\$ 435</u>	<u>\$ 285</u>	<u>\$ 277</u>	<u>\$ 752</u>	<u>\$ 712</u>
Excess (deficiency) before special item	\$ 164	\$ 281	\$ ( 102)	\$ ( 58)	\$ 62	\$ 223
Special item	<u>1</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>5</u>
Increase (decrease) in net assets	<u>\$ 165</u>	<u>\$ 286</u>	<u>\$ ( 102)</u>	<u>\$ ( 58)</u>	<u>\$ 63</u>	<u>\$ 228</u>

The Village's total revenues decreased by \$121,000 while the total cost of all programs and services increased by only \$40,000. The majority of the revenue decrease was attributable to the receipt of fewer capital grants in 2009 than in 2008. The Village's expenses cover a range of services, with more than one-third related to personnel costs.

General revenues are those available for the Village to pay for the governmental activities. For the year ended December 31, 2009, taxes were the largest general revenue source for the Village. Sales taxes were the largest individual tax revenue source.

Program revenues derive directly from the program itself or from parties outside the Village's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the Village's general revenues.

#### Business-Type Activities

Operating expenses of \$288,000 of the business-type activities for the year ended December 31, 2009 increased from the previous year's total by only \$8,000. Revenues remained relatively unchanged.

#### Financial Analysis of Governmental Fund

As of December 31, 2009, the Village's governmental fund reported an ending fund balance of \$715,052, a decrease of \$90,479 from \$805,531 as of December 31, 2008. The fund balance of the governmental fund is unreserved as of December 31, 2009.

#### Budgetary Highlights

The Village made amendments to its General Fund and Water and Sewer Fund budgets for the year ended December 31, 2009. Actual revenues of the General Fund of \$630,444 exceeded budgeted revenues of \$587,525 by \$42,919 while actual expenditures of \$722,352 were less than budgeted expenditures of \$730,450 by \$8,098.

#### Capital Assets

As of December 31, 2009, the Village had invested \$2.3 million in a broad range of capital assets, including land, buildings, vehicles, streets, and water and sewer systems. The major capital asset addition made during the year ended December 31, 2009 was for a street project funded entirely by a rural development grant.

#### Economic Factors and Next Year's Budget

The Village budgeted only \$25,000 grant revenues for the year ending December 31, 2010 while \$164,000 were budgeted for the year ended December 31, 2009. Budgeted capital outlay expenditures were likewise reduced by \$140,000.

#### Requests for Information

This financial report is designed to provide a general overview of the Village's financial picture for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Clerk, P. O. Box 238, Mer Rouge, Louisiana 71261-0238.

## **BASIC FINANCIAL STATEMENTS**

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF NET ASSETS

December 31, 2009

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash	\$ 138,048	\$ 25,548	\$ 163,596
Pooled deposits	10,016	-	10,016
Certificates of deposit	611,063	269,382	880,445
Receivables:			
Ad valorem taxes	9,926	-	9,926
Accounts	-	10,768	10,768
Restricted assets:			
Cash	-	5,887	5,887
Certificates of deposit	-	12,600	12,600
Capital assets:			
Land	80,374	20,110	65,100
Other capital assets, net of depreciation	<u>548,397</u>	<u>1,653,340</u>	<u>2,237,121</u>
Total assets	<u>\$ 1,397,824</u>	<u>\$ 1,997,635</u>	<u>\$ 3,395,459</u>
<b>LIABILITIES</b>			
Payroll withholdings	\$ 2,360	\$ 1,288	\$ 3,648
Deferred revenue	51,641	-	51,641
Payable from restricted assets:			
Customers' deposits	<u>-</u>	<u>18,483</u>	<u>18,483</u>
Total liabilities	<u>\$ 54,001</u>	<u>\$ 19,771</u>	<u>\$ 73,772</u>
<b>NET ASSETS</b>			
Invested in capital assets	\$ 628,771	\$ 1,673,450	\$ 2,302,221
Unrestricted	<u>715,052</u>	<u>304,414</u>	<u>1,019,466</u>
Total net assets	<u>\$ 1,343,823</u>	<u>\$ 1,977,864</u>	<u>\$ 3,321,687</u>
Total liabilities and net assets	<u>\$ 1,397,824</u>	<u>\$ 1,997,635</u>	<u>\$ 3,395,459</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES

As of and for the Year Ended December 31, 2009

			<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Governmental activities:				
Current:				
General government	\$ 204,544	\$ 79,317	\$ -	\$ 19,933
Sanitation	50,341	-	-	-
Public safety	165,289	24,701	16,650	-
Public works	11,393	-	-	125,826
Depreciation	<u>35,785</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	\$ 467,352	\$ 104,018	\$ 16,650	\$ 145,759
Business-type activities:				
Water and sewer	<u>285,003</u>	<u>178,938</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 752,355</u>	<u>\$ 282,956</u>	<u>\$ 16,650</u>	<u>\$ 145,759</u>

General revenues:

Taxes:

Ad valorem

Franchise

Sales

Intergovernmental

Unrestricted investment earnings

Miscellaneous

Special item:

Gain on sale of capital assets

Total general revenues and special item

Changes in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ ( 105,294)	\$ -	\$ ( 105,294)
( 50,341)	-	( 50,341)
( 123,938)	-	( 123,938)
114,433	-	114,433
<u>( 35,785)</u>	<u>-</u>	<u>( 35,785)</u>
\$ ( 200,925)	\$ -	\$ ( 200,925)
 <u>-</u>	 <u>( 106,065)</u>	 <u>( 106,065)</u>
 <u>\$ ( 200,925)</u>	 <u>\$ ( 106,065)</u>	 <u>\$ ( 306,990)</u>
  \$ 46,690	  \$ -	  \$ 46,690
21,831	-	21,831
248,387	-	248,387
31,737	-	31,737
13,615	4,491	18,106
1,757	-	1,757
 <u>1,429</u>	 <u>-</u>	 <u>1,429</u>
<u>\$ 365,446</u>	<u>\$ 4,491</u>	<u>\$ 369,937</u>
 \$ 164,521	 \$ ( 101,574)	 \$ 62,947
 <u>1,179,302</u>	 <u>2,079,438</u>	 <u>3,258,740</u>
 <u>\$ 1,343,823</u>	 <u>\$ 1,977,864</u>	 <u>\$ 3,321,687</u>

VILLAGE OF MER ROUGE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

December 31, 2009

ASSETS

Cash	\$ 138,048
Pooled deposits	10,016
Certificates of deposit	611,063
Ad valorem taxes receivable	<u>9,926</u>
Total assets	<u>\$ 769,053</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Payroll withholdings	\$ 2,360
Deferred revenue	<u>51,641</u>
Total liabilities	\$ 54,001
Fund balance - unreserved and undesignated	<u>715,052</u>
Total liabilities and fund balance	<u>\$ 769,053</u>

See notes to financial statements.



VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended December 31, 2009

Revenues:

Taxes	\$ 316,908
Licenses and permits	67,175
Intergovernmental	194,146
Fees, charges, and commissions for services	12,142
Fines and forfeitures	24,701
Interest and miscellaneous	<u>15,372</u>
	<u>\$ 630,444</u>

Expenditures:

Current:

General government	\$ 204,544
Sanitation	50,341
Public safety	165,289
Public works	11,393
Capital outlay	<u>290,785</u>
	<u>\$ 722,352</u>

Excess of revenues over expenditures \$( 91,908)

Other financing sources:

Sale of capital assets	<u>1,429</u>
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Net change in fund balance \$( 90,479)

Fund balance - beginning 805,531

Fund balance - ending \$ 715,052

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS

December 31, 2009

Total fund balance - governmental fund balance sheet	\$ 715,052
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Amounts reported for governmental activities in statement of net  
assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>628,771</u>
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Total net assets of governmental activities - government-wide statement of net assets	<u>\$ 1,343,823</u>
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See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

December 31, 2009

Net change in fund balances - governmental funds \$( 90,479)

Amounts reported for governmental activities in statement of  
activities are different because:

The governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense. This is the amount  
by which capital outlays (\$290,785) exceeded depreciation expense  
(\$35,785) in the current period.

255,000

Changes in net assets of governmental activities - government-wide  
statement of activities

\$ 164,521

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF NET ASSETS - PROPRIETARY FUND - WATER AND SEWER FUND  
December 31, 2009

ASSETS

Current assets:	
Cash	\$ 25,548
Certificates of deposit	269,382
Accounts receivable	10,768
Noncurrent assets:	
Restricted assets:	
Cash	5,887
Certificates of deposit	12,600
Capital assets:	
Land	20,110
Other capital assets, net of depreciation	<u>1,653,340</u>
Total assets	<u>\$ 1,997,635</u>

LIABILITIES

Current liabilities:	
Payroll withholdings	\$ 1,288
Payable from restricted assets:	
Customers' deposits	<u>18,483</u>
Total liabilities	<u>\$ 19,771</u>

NET ASSETS

Invested in capital assets	\$ 1,673,450
Unrestricted	<u>304,414</u>
Total net assets	<u>\$ 1,977,864</u>
Total liabilities and net assets	<u>\$ 1,997,635</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS - PROPRIETARY FUND - WATER AND SEWER FUND

As of and for the Year Ended December 31, 2009

Operating revenues:	
Water and sewer fees	\$ 176,353
Miscellaneous	<u>2,585</u>
	<u>\$ 178,938</u>
Expenses:	
Depreciation	\$ 100,774
Insurance	27,341
Office	1,246
Other	6,403
Payroll taxes	5,446
Repairs and maintenance	40,909
Retirement	9,150
Salaries	69,406
Supplies	8,700
Utilities and fuel	<u>15,628</u>
	<u>\$ 285,003</u>
Operating income (loss)	\$ ( 106,065)
Nonoperating revenues:	
Interest	<u>4,491</u>
Change in net assets	\$ ( 101,574)
Net assets - beginning	<u>2,079,438</u>
Net assets - ending	<u>\$ 1,977,864</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND -  
WATER AND SEWER FUND

As of and for the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 178,938
Payments to suppliers	( 106,783)
Payments to employees	<u>( 69,406)</u>
Net cash provided by operating activities	<u>\$ 2,749</u>

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES

Purchase of capital assets	<u>\$ ( 40,459)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificates of deposit	<u>\$ ( 4,233)</u>
-------------------------------------	--------------------

Net increase (decrease) in cash	\$ ( 41,943)
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Cash - beginning	<u>73,378</u>
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Cash - ending	<u><u>\$ 31,435</u></u>
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(continued)

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND -  
WATER AND SEWER FUND (Continued)

As of and for the Year Ended December 31, 2009

Reconciliation of operating income (loss) to net cash

provided by operating activities:

Operating income (loss) \$( 106,065)

Adjustments to reconcile operating income to net cash

provided by operating activities:

Depreciation 100,774

Interest and miscellaneous revenues 4,593

(Increase) decrease in accounts receivable 921

Increase (decrease) in payroll withholdings 95

Increase (decrease) in liabilities payable from restricted assets 2,431

Net cash provided by operating activities \$ 2,749

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2009

Note 1. Organization and Summary of Significant Accounting Policies

Village of Mer Rouge, Louisiana (the "Village"), operates under a mayor-board of aldermen form of government in accordance with the provisions of the Lawrason Act. Citizens elect the mayor (at large) and three council members (by districts) who are each compensated. The Village is located in northeast Louisiana, its population is approximately 375, and it employs approximately 10 people. As of December 31, 2009, the Village services approximately 380 utility customers and maintains approximately three miles of streets.

The Village provides general administrative, sanitation, public safety (police), public works (streets), and utility services.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Village is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. the ability of the municipality to impose its will on that organization and/or
  - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.



## NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the Village has determined that Sewer District No. 1 of Village of Mer Rouge, Louisiana, is a component unit of the reporting entity. As required by generally accepted accounting principles, these financial statements present the primary government (the Village) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantively the same, or the organization must provide services entirely or almost entirely to the municipality.

Considered also in the determination of component units of the reporting entity were Sixth Ward Fire Protection District No. 1 of Morehouse Parish, Louisiana, and Mer Rouge Volunteer Fire Department. It was determined that this governmental and volunteer entity, respectively, are not component units of the Village's reporting entity.

The more significant of the Village's accounting policies are described below:

### Government-Wide Financial Statements:

The government-wide financial statements include the statement of assets and the statement of activities. These statements report financial information for the Village as a whole. The statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (a) charges for services which report licenses, permits, fees, fines, forfeitures, and other charges to users of the Village's services; (b) operating grants and contributions which finance annual operating activities; and (c) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

## NOTES TO FINANCIAL STATEMENTS

### Fund Financial Statements:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns.

### Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassifications or eliminations of internal activity (between or within funds). However, internal eliminations do not include services provided to Village departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual are ad valorem taxes, sales taxes, intergovernmental revenues, and water and sewer fees. In general, other revenues are recognized when cash is received.

## NOTES TO FINANCIAL STATEMENTS

Operating income reported in the proprietary fund financial statement includes revenues and expenses related to primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues are classified as nonoperating in the financial statement.

### Fund Types and Major Funds:

The Village reports the following major governmental fund:

General Fund - the general operating fund of the Village and accounts for all financial resources, except those required to be accounted for in other funds.

The Village reports the following major proprietary fund:

Water and Sewer Fund - accounts for operations where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

### Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Water and Sewer Fund on December 9, 2008. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The Village Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. Amendments were made to both budgets and the budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and final budgeted amounts of the General Fund. All annual appropriations lapse at fiscal year end.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### Cash and Certificates of Deposit:

Cash includes amounts in demand and time deposits. Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

State law and the Village's investment policy allow the Village to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Certificates of deposit and pooled deposits of the Village are reported at cost, which approximates market value.

### Receivables:

Significant receivables include ad valorem taxes and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are considered immaterial in amount and are not included in the amounts recorded as due from utility customers.

### Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. Village management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

### Restricted Assets/Liabilities:

Meter deposits collected from utility customers are restricted to payment of amounts owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

## NOTES TO FINANCIAL STATEMENTS

### Restricted Assets/Liabilities:

Meter deposits collected from utility customers are restricted to payment of amounts owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

### Interfund Transactions:

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as transfers between funds of the reporting entity.

### Capital Assets and Depreciation:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and water and sewer system), with useful lives of more than one year are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All other infrastructure assets (e.g., bridges, drainage systems, and similar items) are considered fully depreciated by the Village and are not included in the government-wide financial statements. Capital assets are recorded at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20 - 40 years
Machinery and equipment	5 - 15 years
Streets	40 years
Water and sewer system	20 - 40 years

## NOTES TO FINANCIAL STATEMENTS

### Deferred Revenue:

The Village reports deferred revenue which arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

### Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the Village, accrued on an employment anniversary basis, and accrued to specified maximums.

The Village's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

## NOTES TO FINANCIAL STATEMENTS

No liability existed as of *December 31, 2009* for accrued compensated absences resulting from unused vacation time at the end of the year and no liability was recorded for non-vesting accumulating rights to receive sick pay benefits.

Compensated absences are paid from the fund responsible for the employee's compensation.

### Postemployment Benefits Other Than Pensions:

Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued. The Village did not accrue such benefits for the year ended December 31, 2009 for the governmental activities, the business-type activities, and the Water and Sewer Fund.

### Equity Classifications:

In the government-wide and proprietary fund financial statements, equity is classified as net assets and classified into two components:

1. Invested in capital assets - consists of capital assets net of accumulated depreciation.
2. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balance is classified as unreserved and undesignated as amounts are available for appropriation and not legally restricted for specified purposes.

### Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Village in September or October, are actually billed to the taxpayers in November, and are due and payable on or before December 31 of the same year or the unpaid taxes become delinquent. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish. The Village's ad valorem tax revenues are recognized as deferred revenue when levied.

Sales/use taxes collected and held by other governments at year end on behalf of the Village and those collected by other governments and remitted to the Village within 60 days after December 31 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the Village.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash and Deposits

The following is a summary of cash and deposits of the Village as of December 31, 2009:

Non-pooled deposits	
Non-interest bearing demand deposits	\$ 122,277
Time deposits	939,951
Petty cash	300
Pooled deposits	<u>10,016</u>
	<u>\$ 1,072,544</u>

Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held jointly in the name of the pledging fiscal agent bank and the Village in a holding or custodial bank that is mutually acceptable to both parties.

As of December 31, 2009, the Village had \$1,072,433 in deposits (collected bank balances). These deposits were secured from risk by \$382,482 of federal deposit insurance and \$689,951 of pledged securities held by the Village or its agent in the Village's name.

There were no repurchase or reverse repurchase agreements as of December 31, 2009.

### Note 3. Ad Valorem and Sales Taxes

For the year ended December 31, 2009, ad valorem taxes of 10.13 mills were levied on property with assessed valuations totaling \$5,097,736 as follows:

	Authorized <u>Millage</u>	Levied <u>Millage</u>	Expiration <u>Date</u>
General corporate purposes	6.63	6.63	Perpetual
Streets	3.50	3.50	2011

The following are the principal ad valorem taxpayers for the Village:

<u>Taxpayer</u>	Assessed <u>Valuation</u>	Percentage of Total Assessed <u>Valuation</u>	Ad Valorem Tax <u>Revenue</u>
Mer Rouge State Bank	\$ 438,590	8.6%	\$ 4,443
Agro Distribution, LLC	327,970	6.4%	3,322
Kennedy Rice Dryers, LLC	308,940	6.1 %	3,130



## NOTES TO FINANCIAL STATEMENTS

Total ad valorem taxes levied were \$51,641. As of December 31, 2009, ad valorem taxes receivable was \$9,926.

For the year ended December 31, 2009, sales and use taxes of 2% were levied for police protection and any and all other useful corporate purposes. These taxes will expire June 30, 2014.

### Note 4. Restricted Assets and Liabilities Payable from Same

Restricted assets of \$18,487 of the Water and Sewer Fund consists of meter deposits collected from utility customers. A liability of the same amount has been recorded for the payment of amounts owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

### Note 5. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2009 for the Village is as follows:

	Balance January <u>1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance December <u>31, 2009</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 44,990	\$ 35,384	\$ -	\$ 80,374
Capital assets being depreciated:				
Buildings	\$ 254,423	\$ 94,826	\$ -	\$ 349,249
Equipment and vehicles	359,986	34,749	5,850	388,885
Streets	3,150	\$ 125,826	-	128,976
Total capital assets being depreciated	\$ 617,559	\$ 255,401	\$ 5,850	\$ 867,110
Less accumulated depreciation for:				
Buildings	\$ 95,699	\$ 9,658	\$ -	\$ 105,357
Equipment and vehicles	192,763	25,786	5,850	212,699
Streets	316	341	-	657
Total accumulated depreciation	\$ 288,778	\$ 35,785	\$ 5,850	\$ 318,713
Total capital assets being depreciated, net	\$ 328,781	\$ 219,616	\$ -	\$ 548,397

## NOTES TO FINANCIAL STATEMENTS

	Balance January <u>1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance December <u>31, 2009</u>
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 20,110	\$ -	\$ -	\$ 20,110
Capital assets being depreciated:				
Water and sewer systems	\$2,933,834	\$ -	\$ -	\$2,933,834
Buildings	-	40,459	-	40,459
Equipment and vehicles	84,332	-	3,700	80,632
Total capital assets being depreciated	\$3,018,166	\$ 40,459	\$ 3,700	\$3,054,925
Less accumulated depreciation for:				
Water and sewer systems	\$1,267,233	\$ 89,640	\$ -	\$1,356,873
Buildings	-	633	-	633
Equipment and vehicles	37,178	10,501	3,600	44,079
Total accumulated depreciation	\$1,304,411	\$ 100,774	\$ 3,600	\$1,401,585
Total business-type assets being depreciated, net	\$1,713,755	\$( 60,315)	\$( 100)	\$1,653,340

Depreciation expense of the governmental activities of \$35,785 is reported separately in the statement of activities in that the expense essentially serves all functions.

### Note 6. Pension Plans

Some employees of the Village are members of Municipal Employees' Retirement System of Louisiana or Municipal Police Employees' Retirement System. These systems are cost-sharing, multiple-employer, defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

#### Municipal Employees' Retirement System of Louisiana (the "System"):

##### Plan Description:

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the Village are members of Plan A.

## NOTES TO FINANCIAL STATEMENTS

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from Village funds and all elected Village officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least ten years of creditable service, at or after age 55 with at least 35 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average monthly salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

### Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Village is required to contribute at an actuarially determined rate. The rate in 2009 was 13.50% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Village are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village's contributions to the System under Plan A for the years ended December 31, 2009, 2008, and 2007 were \$13,849, \$12,264, and \$12,071, respectively, equal to the required contributions for each year.

## NOTES TO FINANCIAL STATEMENTS

### Municipal Police Employees' Retirement System of Louisiana (the "System"):

#### Plan Description:

All full-time police department employees engaged in law enforcement are required to participate in the System. However, persons employed as full-time police officers by a municipality which is mandatorily covered by social security and has not excluded its police officers from such coverage are not mandated to become members. Membership in this retirement system shall be at the sole option of the employee. Employees who retire at or after age 50 with at least 20 years of creditable service, at or after age 55 with at least 12 years of creditable service, or at any age with 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

#### Funding Policy:

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Village is required to contribute at an actuarially determined rate. The rate varied in 2009 from 11.00% to 9.50% of annual covered payroll. The contribution requirements of plan members and the Village are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village's contributions to the System for the years ended December 31, 2009, 2008, and 2007 were \$4,803, \$5,577, and \$4,846, respectively, equal to the required contributions for each year.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. On-Behalf Payments for Salaries

For the year ended December 31, 2009, the Village recognized revenue and expenditures of \$16,650 in salary supplements from the State of Louisiana paid directly to employees of the police department.

### Note 8. Commitments and Contingencies

As of December 31, 2009, there was no pending or threatening litigation involving the Village.

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal years.

The Village occasionally participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Village has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of Village management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)**

VILLAGE OF MER ROUGE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE -  
GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 262,400	\$ 296,800	\$ 316,908	\$ 20,108
Licenses and permits	63,625	66,625	67,175	550
Intergovernmental	40,700	180,300	194,146	13,846
Fees, charges, and commissions for services	6,700	9,700	12,142	2,442
Fines and forfeitures	15,000	20,000	24,701	4,701
Interest and miscellaneous	<u>20,100</u>	<u>14,100</u>	<u>15,372</u>	<u>1,272</u>
Total revenues	<u>\$ 408,525</u>	<u>\$ 587,525</u>	<u>\$ 630,444</u>	<u>\$ 42,919</u>
Expenditures:				
Current:				
General government	\$ 203,150	\$ 219,150	\$ 204,544	\$ 14,606
Sanitation	49,700	51,700	50,341	1,359
Public safety	156,650	165,600	165,289	311
Public works	2,000	12,000	11,393	607
Capital outlay	<u>55,000</u>	<u>282,000</u>	<u>290,785</u>	<u>( 8,785)</u>
Total expenditures	<u>\$ 466,500</u>	<u>\$ 730,450</u>	<u>\$ 722,352</u>	<u>\$ 8,098</u>
Excess (deficiency) of revenues over expenditures	<u>\$ ( 57,975)</u>	<u>\$ ( 142,925)</u>	<u>\$ ( 91,908)</u>	<u>\$ 51,017</u>
Other financing sources:				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>1,429</u>	<u>1,429</u>
Net change in fund balance	<u>\$ ( 57,975)</u>	<u>\$ ( 142,925)</u>	<u>\$ ( 90,479)</u>	<u>\$ 52,446</u>
Fund balance - beginning	<u>715,328</u>	<u>805,530</u>	<u>805,531</u>	<u>1</u>
Fund balance - ending	<u>\$ 657,353</u>	<u>\$ 662,605</u>	<u>\$ 715,052</u>	<u>\$ 52,447</u>

## OTHER SUPPLEMENTARY INFORMATION



VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended December 31, 2009

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the board members is included in the general government expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

<u>Name and Title</u>	<u>Compensation</u>
John D. McAdams, III, Mayor	\$ 6,600
Marley Oldham, Mayor Pro-Tem	1,625
Richard Blackwell, Alderman	1,550
Tim Mitchell, Alderman	<u>1,600</u>
Total compensation	<u>\$ 11,375</u>

# HILL, INZINA & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable John D. McAdams, III, Mayor,  
and Members of the Board of Aldermen  
Village of Mer Rouge, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above as 2009-1 and 2009-2 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2009-3.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Aldermen, others within the Village, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

*/s/Hill, Inzina & Co.*

April 29, 2010

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH  
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

As of and for the Year Ended December 31, 2009

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2009 resulted in a qualified opinion on the governmental activities, the business-type activities, and the Water and Sewer Fund and an unqualified opinion on the General Fund.

Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control

Significant Deficiencies    ☒ Yes   ☐ No                      Material Weaknesses    ☒ Yes   ☐ No

Compliance

Material to Financial Statements    ☐ Yes   ☒ No

Section II - Financial Statement Findings

2009-1    Inadequate Segregation of Duties (initial citing as of the for the two years ended December 31, 1987)

Criteria:                      Adequate segregation of duties is essential to a proper internal control structure.

Condition:                      The segregation of duties is inadequate to provide effective internal control.

Cause:                              The condition is due to economic limitations.

Effect:                              Not determined.

Recommendation:    No action is recommended.

Management's  
response and  
planned cor-  
rective action:

We concur with the finding but it is not economically feasible for corrective action to be taken.

2009-2 Internal Control over Financial Reporting (initial citing as of and for the year ended December 31, 2007)

Criteria: Management of the Village should have sufficient capable expertise to prepare financial statements in accordance with accounting principles generally accepted in the United States of America including the required supplementary information and related footnotes. Internal controls should be adopted and implemented to prevent, detect, or correct a misstatement in the financial statements, required supplementary information, or footnotes.

Condition: Although management of the Village does not actually prepare and draft the financial statements, required supplementary information, and the related footnotes, they do have the capacity and experience to oversee the process. They provide all of the information to be included and they understand the presentation.

Cause: The condition is due to economic limitations.

Effect: Misstatements in the financial statements, required supplementary information, or footnotes may not be detected within a timely period.

Recommendation: No action is recommended.

Management's  
response and  
planned cor-  
rective action:

We concur with the finding but it is not economically feasible for corrective action to be taken.

2009-3 GASB Statement No. 45 Not Implemented (initial citing)

Criteria: Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**Condition:** The Village did not implement GASB Statement No. 45 as required for the fiscal year ended December 31, 2009.

**Cause:** Information as to the calculation required for recording the effects of the statement was not readily available from affordable sources.

**Effect:** The amounts by which not implementing the statement would affect the liabilities and net assets of the governmental activities, the business-type activities, and the Water and Sewer Fund are not known.

**Recommendation:** The Village should acquire the necessary knowledge to record the effects of implementing the statement.

**Management's  
response and  
planned cor-  
rective action:**

The finding is a matter of mis-communication. We did not realize that the auditor intended to qualify her opinion on the financial statements. We were in the process of choosing a third party to make the required calculation to implement GASB Statement No. 45. The auditor provided a consultant for consideration and we accepted that consultant under the impression that the calculation would be made for the year 2009. Had we understood that the consultant would not be able to complete the calculation in time, we would have selected one of two other alternatives that were under consideration. GASB Statement No. 45 appears to be no different than other GAAP requirements for which entries are typically made only at year-end. Therefore, it appears that obtaining the calculation and recording the entry after December 31, 2009 but as of December 31, 2009 would have constituted implementing GASB Statement No. 45.

VILLAGE OF MER ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

As of and for the Year Ended December 31, 2009

Section I - Internal Control and Compliance Material to Financial Statements

2008-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control structure.

Unresolved - 2009-1.

2008-2 Internal Control over Financial Reporting

Management of the Village should have sufficient capable expertise to prepare financial statements in accordance with accounting principles generally accepted in the United States of America including the required supplementary information and related footnotes.

Unresolved - 2009-2.

2008-3 Written Minutes of Public Meetings

Written minutes shall be kept of all open meetings held by the Village's board of aldermen.

Resolved.

Section II - Management Letter

None issued.